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WAR FOOD ADMINISTRATION
Office of Marketing Services
Marketing Facilities Branch

May 23, 1945

I.C.C. DOCKET NO. 28300 - CLASS RATE INVESTIGATION OF 1939
I.C.C. DOCKET NO. 28310 - CONSOLIDATED FREIGHT CLASSIFICATION

A

SUMMARY OF THE REPORT SERVED May 19, 1945
By Geo. P. Shuler, Jr., Transportation Rate Specialist
Transportation Rates and Services Division

The issues

Docket No. 28300 brings in issue the lawfulness of all class rates applicable via all rail routes within and between the following rate territories:

Official
Southern
Southwestern
Western Trunk Line
Illinois

Under the provisions of the order of August 1, 1940 (Docket No. 28300) the term "class rate" is construed to mean a rate on an article determined by a rating which is provided for in any one of the four classifications (but not exception or column ratings).

While the all-water and R-W class rates were in issue no findings were entered as to such rates. Neither were there findings concerning arbitraries for short and weak lines of railroad. (Sheet 269)

Docket No. 28310 brings in issue the lawfulness of the description of articles, carload minimum weights and ratings provided in the C.F.C. containing ratings of the Illinois, Official, Southern and Western Classifications. The entire United States is embraced in the territorial scope of the classification investigation, but not the class rate proceeding. The classification rules were not in issue.

Both proceedings were heard on a consolidate record.

General. In the first 257 pages of the report there is presented a detailed discussion of the evidence bearing upon the history of the existing class and commodity rate structures, the resources of the different territories, cost of service, other transportation conditions and contentions of the parties.

Conclusions of the Commission. Beginning at page 258 and extending through page 269 the Commission states its general conclusions respecting, inter alia, the 1940 amendments of the act (3 (1) and 5(b)), the Edwards Cost study and the distribution of the transportation burden. Conclusions as to the freight classification appear on pages 56 through 62.

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Ultimate Findings. The ultimate findings as related to

- A. The present classifications and class rates
- B. The permanent adjustment
- C. Ad interim revision adjustments

are as follows:

A. The present classifications and class rates

(1) Under sections 1(4)-(6) of the act the ratings as a whole named in the present official, Illinois, Southern and Western classifications are found to be unreasonable now and for the future. (Sheet 63)

(2) Differences in present ratings of the four classifications, supra, are found to be in violation of section 3 (1) of the act for the present and future. (Sheet 63)

(3) Substantial uniformity found to exist in present classifications as to descriptions of articles and minimum weights. (Sheet 64)

(4) Intra and interterritorial class rates in issue found to be unreasonable under sections 1 (4) and (5) (a) of the act. (Sheet 270)

B The Permanent Adjustment

(Note) There follows a complete summary of the findings respecting the permanent adjustment for the future. This adjustment contemplates a uniform basis of class rates governed by a uniform freight classification. A maximum reasonable mileage scale of class 1 (100) rates is prescribed as set forth in appendix 10 of the report. Rates on other classes are to be made on the prescribed uniform class relation to the class 1 or basic rates. The prescribed scale of 1st class rates is to be applied by use of short line distances computed on the same formula described in prior class rate decisions. (The numbered paragraphs to follow do NOT correspond with the numbered findings in the report.)

The establishment and observance of a

(1) Uniform classification of property for transportation with reference to which the class rates are prescribed, will be just and reasonable. (Sheet 63).

(2) To the extent that different and non-uniform classifications are established and maintained to govern the prescribed class rates, to that extent such classification will be for the future, unreasonable and in violation of section 1 (4) and (6) of the act. (Sheet 64)

(3) It is stated that the uniformity findings are not intended to prevent the making of "exceptional" classification ratings provided such "exceptional" ratings:

- (a) May be justified individually upon their own merits.
- (b) Shall not have the effect of creating a violation of some provision of the act or the National transportation policy.
- (c) Shall not impair the uniformity of classification found just and reasonable in the report. (Sheet 64)

(4) A section 3 finding was made against the official - Illinois intra-territorial class rates because of their preferential relation to the NB-EB inter-territorial class rates to official territory. (Sheet 270)

(5) Upon the record it is found that the classification pattern of the official classification comports better with the requirements of the statute that the classification be just and reasonable than do either of the other classifications. The general basis of the official classification, including the class percentage relations thereof, would be just and reasonable for uniform application and should be established by respondents within a reasonable time. (Sheet 64)

(6) That the uniform classification required to be established and maintained should contain classes, uniformly related to class 1 (100) as set forth in amended finding 1 of 171 ICC 481 at page 499. (Sheet 64 and 271)

(7) Respondents are given 90 days in which to notify the ICC whether they will undertake to initiate a classification in line with the findings in the report. If they fail to respond the Commission retains jurisdiction to make such further order as may be proper.. (Sheet 64)

(8) Maximum scale of class 100 rates (see appendix 10) is prescribed for the future. (Sheet 271)

(9) Rates for other classes should be related to class 1 (100) index rates as provided in (5) above. (Sheet 272)

(10) The prescribed class rates shall apply to ratings on commodities taking class rates under the prescribed uniform classification. (Sheet 270)

(11) The revised class rates and classification ratings should be made effective at the same time. (Sheet 271)

(12) No special consideration was given to intra-state class rates held by orders under section 13 (3) and (4) of the act. (Sheet 276)

C. Ad Interim Revision

Pending the establishment of the permanent adjustment as previously outlined and effective 8-30-45 an ad interim revision is provided for to temporarily relieve the unlawfulness found to exist in connection with existing class rates. This ad interim revision is as follows:

(1) That existing interstate, inter-territorial and intra-territorial class rates (except those within official territory) applicable on freight moving at classification ratings will be unreasonable under reduced 10 percent subject to the class 1 scale shown on sheet 274 as minima for class 1 rates and subject to such other qualifications as indicated. The reduction



is to be accomplished by reducing the current class 1 rates by 10 percent as a base subject to the minima previously mentioned. The rates on other classes in each class rate system are to be made the same percent of the class 1 rates, thus reduced as the percent which presently applies. (Sheet 273)

(2) Within official territory all traffic moving at classification ratings is made subject to a 10 percent increase with no minimum provisions. The 10 percent increase is to be accomplished by raising the basic class 1 rates 10 percent and keeping the present percentage relations of the lower class to the increased class 1 base rate. (Sheet 275)

(3) For the interim period, the findings contemplate no change in the existing exception or column rates within or between any of the territories. (Sheets 273 and 275)

(4) Under a section 1 finding, the minimum charge per shipment is increased from 55 to 75 cents.

Effect of the interim revision on present class 1 rates.

Table I attached presents a few examples showing the effect of the interim order on the present class 1 rates except those within official territory which are made subject to a flat maximum increase of 10 percent. In general the interim revision will produce reductions in the present class 1 rates although there will be some instances where no change in existing rates will result. It is provided by the interim order that no existing class rates shall be increased. Nevertheless, it will be observed that the reductions in inter-territorial rates in many cases fall short of the 10 percent because of the operation of the minimum scale shown in column (3) of the table. The reductions in the key point inter-territorial rates are less than in similar rates otherwise constructed because the key rates were originally prescribed to reflect a lower basis than if made on a blend of the intra-territorial mileage scales such as the K2-Q1 formula. Hence the application of the minimum scale to the lower key point rates holds down the reductions.

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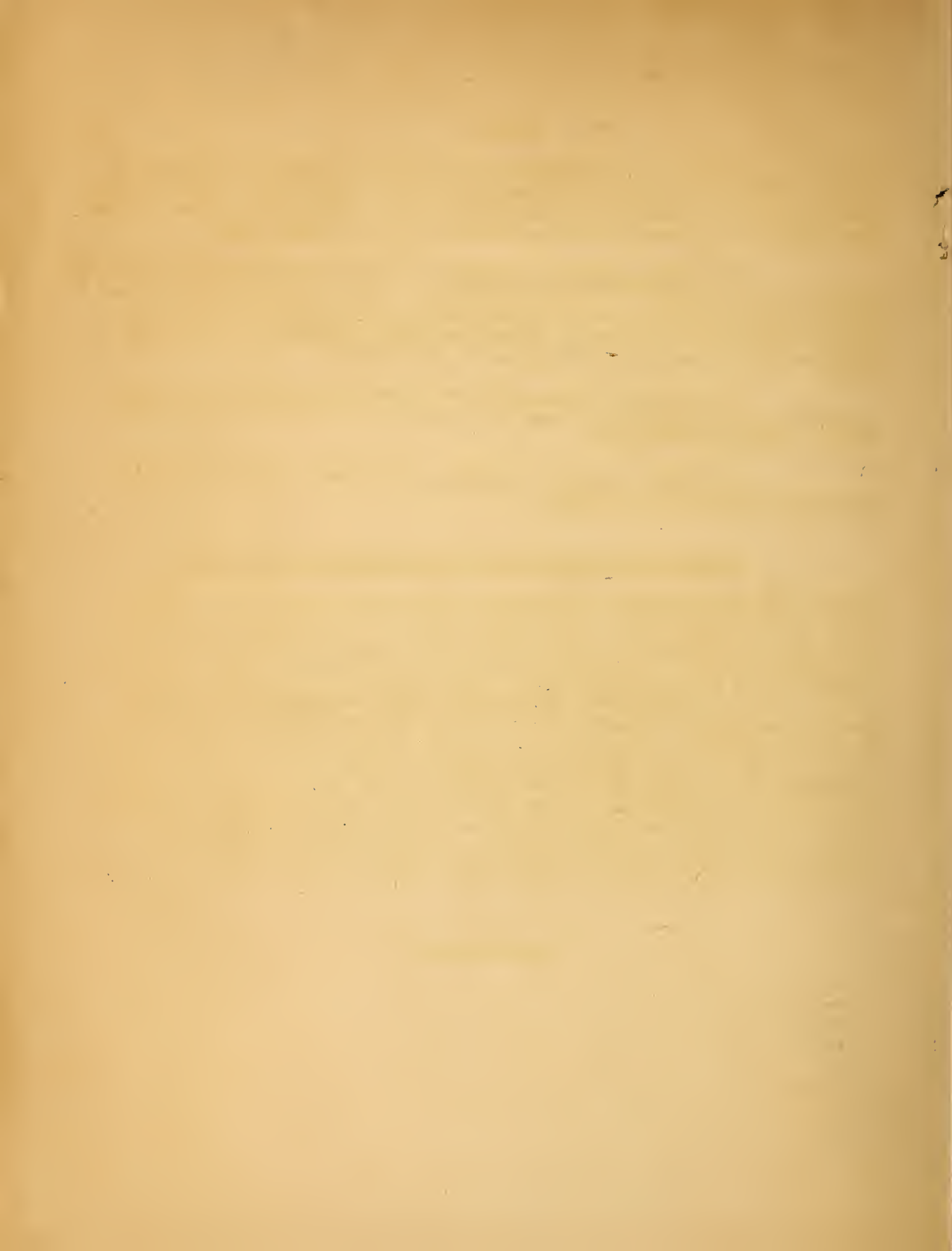


Table No. 1

Examples showing the effect of the interim order on the present territorial and inter-territorial class rates

Inter-territorial Class 1 Rates												
Between and	New York			Pittsburgh			Detroit			Chicago		
	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)
Atlanta, Ga.	(x)212	191	196	(x)229	206	182	211	190	176	210	189	176
Memphis, Tenn.	(x)252	227	237	(x)200	180	185	190	171	173	164	148	146
Raleigh, N. C.	141	127	143	(x)147	132	149	177	159	182	189	170	196
Omaha, Neb.	(x)259	233	263	(x)207	186	203	(x)187	168	179	153	138	137
Minneapolis, Minn.	(x)239	215	240	(x)196	176	193	(x)164	148	158	139	125	128
Kansas City, Mo.	(x)248	223	253	(x)178	160	170	(x)178	160	170	143	129	131
Wichita, Kans.	(x)299	269	278	(x)249	224	224	(x)229	206	199	200	180	161
Oklahoma City	(x)331	298	290	(x)277	249	234	(x)259	233	217	230	207	182
Dallas, Texas	(x)360	324	293	(x)304	274	244	(x)289	260	231	261	235	203
Fargo, N. D.	(x)294	265	269	(x)250	225	227	(x)217	195	193	198	178	161
Denver, Colo.	(x)385	347	324	(x)332	299	275	(x)309	278	250	279	251	217

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Class 1 rates under territorial mileage scales

Miles	Territory											
	Southern			WTL-Zone 1			WTL Zone 2			WTS-SW-Zone 3		
	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)
50	62	56	60	53	48	60	61	55	60	65	59	60
100	84	76	70	73	66	70	83	75	70	90	81	70
200	112	101	90	97	87	90	111	100	90	123	111	90
300	134	121	110	117	105	110	134	121	110	147	132	110
400	156	140	125	136	122	125	156	140	125	172	155	125
500	173	156	140	156	140	140	178	160	140	196	176	140
700	206	185	170	196	176	170	222	200	170	244	220	170
800	222	200	185	210	189	185	239	215	185	263	237	185
1000	249	224	213	240	216	213	273	247	213	300	270	213

- (1) Present class 1 rate.
 (2) 90 percent of present class 1 rate.
 (3) Rate per minimum scale page 274 of report.

(x) Prescribed as a key point rate in prior class rate cases.

